

Message Text

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FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC 8468

INFO AMEMBASSY BANGKOK

AMEMBASSY CANBERRA

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

AMEMBASSY TOKYO

CINCPAC

C O N F I D E N T I A L WELLINGTON 2442

CINCPAC FOR POLAD

EO 11652: GDS

TAGS: PINT NZ

SUBJECT: NEW ZEALAND OPPOSITION LEADER SEES ELECTORAL VICTORY
IN 1975

REF: WELLINGTON 2126 (NOTAL)

SUMMARY: LEADER OF OPPOSITION NATIONAL PARTY MULDOON
TOLD DCM THAT COMBINATION OF HIGH INFLATION AND GRAVE
BALANCE OF PAYMENTS PROBLEMS WILL BRING ABOUT DEFEAT
NEXT YEAR OF NEW ZEALAND'S LABOUR GOVERNMENT AND VICTORY
FOR MULDOON'S NATIONAL PARTY. END SUMMARY

1. DURING JULY 30 COURTESY CALL ON OPPOSITION NATIONAL
PARTY LEADER ROBERT MULDOON BY DCM, MULDOON SAID ALL
INDICATORS HE HAS SEEN SHOW THAT NATIONAL PARTY HAS
SURPASSED THE GOVERNING LABOUR PARTY IN PUBLIC SUPPORT.

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THE TWO MAIN REASONS WERE HIGH INFLATION (ESTIMATED

BY MULDOON AT 13 PERCENT PER ANNUM) AND, IN HIS VIEW, AN EXTREMELY GRAVE BALANCE OF PAYMENTS DEFICIT. HE CHARGED THAT PRIME MINISTER KIRK UNDERSTANDS LITTLE ABOUT THESE PROBLEMS--HIS FORTE BEING FOREIGN AFFAIRS--AND THE LABOUR GOVERNMENT'S HANDLING OF THE SITUATION IS NOT REASSURING. LETTERS AND CONTACTS FROM ALL OVER THE COUNTRY REFLECT A DECLINING CONFIDENCE IN THE ABILITY OF THE GOVERNMENT TO DEAL EFFECTIVELY WITH THE SITUATION, MULDOON CLAIMED.

2. IN RESPONSE TO A QUESTION, MULDOON SAID THAT HE WOULD REASSUME HIS OLD FINANCE PORTFOLIO, IN ADDITION TO BEING THE PRIME MINISTER, WHEN HE FORMS A GOVERNMENT AFTER THE NOVEMBER 1975 ELECTIONS. MULDOON UNDERSTOOD FINANCE, AND A MAJOR PART OF HIS ELECTION CAMPAIGN WOULD BE BASED ON HIS UNDERTAKINGS TO THE PEOPLE OF NEW ZEALAND TO CORRECT THE ECONOMIC ILLS OF THE COUNTRY WHICH (HE BELIEVES) THE LABOUR GOVERNMENT HAS HELPED TO BRING ABOUT. HE WOULD MAKE BRION TALBOYS, NOW DEPUTY LEADER OF THE OPPOSITION, THE MINISTER OF ECONOMY, A NEW PORTFOLIO, FROM WHICH TALBOYS WOULD HANDLE THE DAY TO DAY DETAILS OF THE FINANCE MINISTRY. BUT MULDOON WOULD KEEP CENTRAL CONTROL IN HIS OWN HANDS BECAUSE OF THE OVERRIDING IMPORTANCE OF ECONOMICS TO THE NEW ZEALAND'S WELL-BEING.

3. COMMENT: THE SUPREMELY ASSURED ROBERT MULDOON SPOKE WITH EVERY APPEARANCE OF CONFIDENCE THAT HIS NATIONAL PARTY WILL RETURN TO POWER IN NOVEMBER 1975. SUCH CONFIDENCE WOULD HAVE APPEARED FOOLHARDY SIX MONTHS AGO. BUT SINCE THAT TIME INCREASES IN THE COST OF LIVING AND THE HEAVY, AND GROWING, DEFICIT IN NEW ZEALAND'S BALANCE OF PAYMENTS ARE BEGINNING TO CAUSE SERIOUS CONCERN ABOUT THE FUTURE. AT THE SAME TIME, NEW ZEALAND'S SOMETIMES UNRULY TRADE UNIONISTS HAVE COMPOUNDED THE LABOUR GOVERNMENT'S DIFFICULTIES. THE NATIONAL PARTY, TO WHICH THE ASSERTIVE MULDOON HAS RECENTLY SUCCEEDED TO THE LEADERSHIP, IS THE BENEFICIARY OF THIS CONCERN, WHILE THE LABOUR PARTY IS THE LOSER.

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BUT IT IS STILL RATHER EARLY FOR MULDOON TO BE COUNTING HIS CHICKENS TOO CONFIDENTLY. FOR ONE THING, PRIME MINISTER KIRK REMAINS AN EXTREMELY POPULAR LEADER. ANOTHER IS THAT GENERAL ECONOMIC TIDES NOW RUNNING AGAINST NEW ZEALAND COULD CHANGE BEFORE THE NEXT ELECTION. FURTHER, THE GOVERNMENT COULD TAKE MEASURES, IF IT HAS THE COURAGE, TO HELP SLOW THE INFLATIONARY SPIRAL. BUT HAVING SAID THIS, INTERNAL POLITICAL DEVELOPMENTS IN NEW ZEALAND ARE ATTRACTING

HEIGHTENED INTEREST AS THE OPPOSITION NATIONAL PARTY SENSES
A CHANCE OF VICTORY NEXT YEAR.
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